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Subject: Guatemalan Intelligence Activities in Honduras

Date of Info: 22-26 May 1954

Place Acquired:

Date Received: 31 May 1954

Source: Person with Good Contacts in Guatemalan Embassy (C).

Date of Report: 2 June 1954

Appraisal of Content: 3

1. In a conversation at the Hotel Duncan on the evening of 22 May 1954 Col. Jose Luis MORALES, Guatemalan Military Attaché in Tegucigalpa, stated that Lt. Col. Carlos CASTILLO Armas represents a serious threat to Guatemala. Replying to a comment that this movement is largely fantasy MORALES said that, on the contrary, it is expected that CASTILLO will soon launch another crazy adventure. This time the Guatemalan government is prepared to meet this challenge, according to MORALES.
2. Although he admitted the seriousness of the CASTILLO organization MORALES said that he is not too worried, inasmuch as he has more money at his disposal than CASTILLO has. The latter was believed to be suffering monetary difficulties because of the strike against the United Fruit Company and the fact that Nicaragua can not furnish all the money needed. MORALES also said that he has agents located in various embassies in Tegucigalpa, in the Post Office, and in the office of President Juan GALVEZ. Jose MORALES, who works in GALVEZ' office as a secretary, passes much useful information to the Guatemalans, and is stated to be of considerable assistance to Guatemalan intelligence activities in Honduras. Other informants include Enrique PACHECA Arevalo, former Costa Rican consul.
3. During the conversation MORALES opened his coat and exposed a pack of 10 dollar bills in his breast pocket. Pointing at the money he said that this was the way they worked, and that there is no shortage of funds. Shortly thereafter Francisco LIIVA Díaz, who works as a reporter for El Cronista, entered, and MORALES rose to talk with him. After about five minutes MORALES removed the bundle of bills and gave them to LIIVA. It is reported that LIIVA left Tegucigalpa on 25 May for the north coast of Honduras, and it is believed that the purpose of his trip was to meet with strike organizers there.
4. According to MORALES the situation in Honduras is getting more and more difficult and it is possible that the Guatemalan Embassy will be forced to abandon the country. He planned to move out of his house to the Embassy on 26 May. He stated that upon leaving Honduras he expected to go to Guatemala for a few days and then to Costa Rica as Military Attaché. According to MORALES, it would be Guatema which would break off relations with Honduras. They would thus be able to depart in an orderly fashion and leave behind an organization which would continue operations as formerly. Also, this procedure would serve to allay the accusation that Guatemala is interfering in Honduran affairs.
5. MORALES said that arrangements had been made to set fire to all United Fruit Company property in Guatemala, as well as the property of American citizens, at the time when CASTILLO Armas starts any rebellion attempt.

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